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UNCLASSIFIED United States Department of State

Washington, D. C. 20520

RELEASED IN PART

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January 26, 1983

BRIEFING MEMORANDUM
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United States Department of State
Office of FOI, Privacy, & Classification Review
Review Authority: MARTENS, R.
Date: 09/28/96
Case ID: 9403671

TO: The Secretary

FROM: EA - Paul D. Wolfowitz *PW*

SUBJECT: Your Meeting with State Councillor Fang Yi

I. OBJECTIVES

1. Affirm US support for expansion of cooperation in the bilateral science & technology program and raise new proposals (Talking points attached).
2. Present US ideas on space cooperation (Talking points attached).
3. Affirm continued US support for China's modernization and address China's export control concerns while explaining our own concerns (Talking points attached).
4. Raise US concerns about access for researchers in China (Talking points attached).
5. (If raised by Fang) Respond to Chinese inquiries about current export licensing cases, including Landsat (Talking points attached).

II. SETTING

State Councillor Fang Yi is the senior Chinese science and technology policy official. He is the Minister in Charge of the State Science and Technology Commission (SSTC), which determines science policy and plays an integral part in Chinese economic planning. Fang's deputy, Zhao Dongwen, sits on the State Planning Commission.

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We expect Fang to raise US export controls and to argue that progress in liberalization has been slow. He may imply that this reflects a lack of good will and that progress in this area is needed in order to advance US-China relations. He may also try to demonstrate to you--as he did with Secretary Haig-- that China is a reliable partner against the Soviets and has denied them strategic Chinese minerals such as titanium.

Fang may try to focus on specific licensing cases. You will want to stay away from details and aim the discussion toward our steady progress in liberalizing controls and onto the broader plane of how much technology has been, is being, and can be transferred without licensing.

You should also give a brief explanation of the rationale for our controls and stress the need for Chinese compliance with our export regulations and end-use agreements. At the same time, you should hear Fang out on his explanations as to why China needs some of the high-tech items it seeks.

Fang shares the chairmanship of the Joint S&T Commission with Dr. George Keyworth, the President's Science Advisor. The Commission will meet in Beijing May 9-11. Fang and Keyworth have established an excellent personal relationship and an effective channel for direct communication on S&T matters.

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III. PARTICIPANTS

US

The Secretary
Ambassador Arthur Hummel
EA - Paul Wolfowitz
PA - John Hughes
PM - Jonathan Howe
NSC - Gaston Sigur
DOD - Richard Armitage
Embassy DCM Charles Freeman
EA/C - William Rope
Embassy Science Officer Jack Gosnell
Vivian Chang (Interpreter)
Two embassy language officers (notetakers)

CHINA

Councillor FANG Yi (Fǎng Yì)
Vice Minister ZHAO Dongwen

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IV. PRESS ARRANGEMENTS

There will be a photo opportunity at the opening of the session.

for
Drafted: EA/C: K Powell
Ext. 21322 W4567

Cleared: EA/C: RWMueller
EA/C: WFRope
EA: TPShoesmith
P: DJohnson
OES/S: SThomsen
OST?: RFrankum
PM: RDavie
EB/OMA: GBrown
EB: RGold
Treasury: PHaas
Commerce: RPerito

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V. DISCUSSION OF OBJECTIVES

Affirm US support for expansion of cooperation in the bilateral science & technology program and raise new proposals.

Official exchanges under the 1979 US-PRC S&T Cooperation Agreement are a bright spot in our relations with China. The seventeen technical protocols currently in effect could be supplemented by several more in the next six months. These would be in mapping, fusion research, transportation, and aeronautics; but we need Chinese responses to our initial proposals. We will also be pursuing new areas in the near future, including biomedical research, civil engineering, telecommunication, and conservation of nature.

At the May meeting of the Joint S&T Commission, the US will seek Chinese agreement that progress to date in the bilateral program has been satisfactory. We expect the Chinese to seek more rapid expansion of the program than US participants can offer. You need to stress the need for growth at a measured pace, which avoids creating expectations that cannot be immediately fulfilled, but which permits a stable, continuous expansion of the US-China relationship.

-- We are extremely pleased with the progress that has been made in many areas under the S&T Agreement. The Agreement has been of considerable benefit to both countries and we would like to find ways to expand our cooperation at a steady pace. Dr. Keyworth's visit in May for the Joint Science and Technology Commission is especially important in this endeavor.

-- The US looks forward to signing new technical accords to the Agreement. We need your responses on the drafts that have been under discussion, namely on mapping, fusion research, transportation, and aeronautics.

-- We expect to present drafts in the near future in additional areas: biomedical research, civil engineering, telecommunication, and conservation of nature.

-- We welcome your suggestions for additional areas of cooperation that we can explore together.

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Present US ideas on space cooperation.

The Chinese are extremely impressed with US advances in space and have indicated a strong desire to expand cooperation in this field. They presented a series of proposals on cooperation in the area of space in 1980. These have lain dormant until recently. Last month, the Chinese Minister of Space Industry indicated a desire to attend a Space Shuttle launch. NASA is actively considering a number of the proposals now and will be going back to the Chinese shortly.

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You should present a letter from NASA Administrator James Beggs to Fang Yi extending an invitation to his counterpart, Minister of Space Industry Zhang Jun, to come to a Shuttle launch in March/April or April/May as a first step toward a gradually expanding program of space cooperation. Final dates have not been set for these launches.

-- Space is an area in which there is considerable interest in further cooperation. The proposals that China presented to NASA are under serious consideration and we expect to report soon on specific suggestions for cooperation.

-- As a measure of our interest in furthering cooperation in this area, I am happy to present a letter of invitation on behalf of NASA Administrator Beggs to Zhang Jun, Minister of Space Industry, to attend the first launch of the Space Shuttle "Challenger" in March or April or, as an alternative, the following "Challenger" launch in April or May.

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Affirm continued US support for China's modernization and address China's export control concerns while explaining our own concerns.

Fang has vocally criticized US technology transfer restrictions, because they deny China many items routinely sold to virtually all non-Soviet bloc countries and prevent the Chinese from obtaining sophisticated equipment they want to buy.

[REDACTED] you can emphasize the extent of liberalization that has already taken place and the quantity of technology which is, or can be, transferred without licensing. You should note that we have legitimate national security concerns in specific areas but reiterate that so long as we build a relationship based on mutual respect and confidence, technology transfer will doubtless also continue to progress, as it has for a decade.

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-- The US is firmly committed to support China's efforts to build a modern economy; and, if you look, there are many, many ways in which we have been doing our part, or at least trying to do it (in the face of Chinese unwillingness to buy).

-- Technology, or the application of science and know-how, spans a tremendously wide range of human endeavor--from how to raise better livestock to how to organize large enterprises and industrial projects, to the technology needed for mineral and oil extraction, to the very highest end of the scientific and technical spectrum. Most of this is available to China and requires no license or is routinely licensed. US firms are anxious to discuss ways for you to acquire what you need.

-- Another vitally important area--probably the greatest contribution we have to make in the long run--is our training of Chinese students and scholars. We now have over 9,000 in the US and 2,000 have already studied and returned to China.

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-- Other areas of cooperation are our management institute in Dalian, and some joint centers being developed in China staffed by US and Chinese universities. There are also our S&T exchanges, and the hundreds of business delegations and training programs that are exchanged or occur each year.

-- I mention these points because we tend to take them for granted. They should not be. We should not permit the value of all this to be overlooked when we focus on those cases where US regulations have held back approvals.

-- In the area where licenses are required, we have "significantly liberalized" our controls, keeping Secretary Haig's commitment of 1981. These steps have had a clear and positive effect on the quantity and sophistication of our technology exports to China. Since 1979, license approvals have gone up by 300%. Last year over 1700 export licenses were approved for China. A great deal of what we have approved is state-of-the-art.

-- We recognize that some cases take a long time to decide. Nevertheless, the majority of cases are determined in less than 90 days.

-- Those restrictions we do continue to maintain, in certain instances involving the most advanced technology, are for our national security interests. If you will take a moment to reflect, however, you will realize that as our relations have improved, we have made tremendous progress in reducing the areas where we have felt it necessary to retain controls.

-- As long as our two countries continue to build a relationship based on mutual trust and respect, our relations in the area of the transfer of technology should continue to improve, as they have for over a decade.

-- For example, in the period since the conclusion of the August 17 Communique, we have made further advances on our side. You may be aware that we recently approved several precedent-setting cases, including the sale of state-of-the-art digital switching equipment (ITT) and of computers with large main memories.

-- I must, however, speak very frankly on one extremely important point. It is vital to us that our laws and regulations on export control be respected. There are periodic reports of China's acquisition of US technology without showing due respect for our licensing procedures.

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-- Let me urge that all organizations working on these matters be advised to respect US laws and regulations. This will help us to continue a policy of expanded technology transfer in an atmosphere of growing trust. Such activity--and other acts of which we are aware but which I have not mentioned--does not create the atmosphere of trust that is critical to furthering our relations in this area.

-- I raise this because I feel it is essential that we talk frankly, as friends. I will hope for your cooperation; and you can count on mine in return.

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Raise US concerns about access for researchers in China.

Assuring adequate access to facilities for American scholars and researchers in China has been a perennial, albeit generally manageable, problem for the US. Many researchers are excluded from some libraries, archives, and research facilities and there are restrictions on social science field research.

The Chinese claim that the restrictions apply to all foreigners, that many institutions are not equipped to handle outsiders, and that the researchers' demands are excessive. Occasionally, the Chinese cite US controls on students' programs as a rationalization for their unwillingness to grant our researchers needed access. Such arguments are specious. We do maintain some checks on the programs of Chinese scholars, but they rarely lead to restrictions on study programs or modifications in courses of study. Fewer than 10 students' programs have been subjected to minor modification out of 9,000 students now in the US and 2,000 who have returned to China.

-- We also have problems in our exchanges with China. You continue to place restrictions on our students and scholars. Many American researchers cannot gain access to and utilize various libraries and research facilities in China.

-- They have also been denied opportunities for field research, and we are concerned about reports that Chinese authorities may be discouraging contacts with foreigners. We want our students to benefit from the opportunity to live closely with your people and to understand them better.

-- Another problem for scholars is difficulty with Chinese Customs authorities in bringing books and other material into China and taking notes and other material out of China at the end of their programs. Such obstacles have sometimes made it more difficult to attract first-class researchers to China.

-- I hope that you will be giving these problems as much attention as I will be giving to the issues which trouble you.

-- (If Fang complains about US "restrictions" on Chinese student programs in the US.) Your concerns are not justified. We have instituted procedures that facilitate your students' travel to, and study in, the US. We have requested minor modifications in fewer than 10 student programs out of over 11,000. If you have any examples which you believe contradict this and which we should know about, please convey them to Dr. Keyworth and we will look into them.

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(If raised by Fang) Respond to Chinese inquiries about current export licensing cases, including Landsat.

The Chinese have submitted two lists of export licensing cases which they believed had been delayed for unreasonable lengths of time or had been denied. Fang sent a list of thirteen items to Presidential Science Advisor Keyworth in November. Another list of 30 cases went to Commerce Secretary Baldrige from Finance Minister Wang in December. We have recently passed responses to these inquiries to the Chinese.

Fang may raise the Chinese purchase of a ground station for the Landsat remote sensing satellite. Acquiring such a station is of great importance to the Chinese, and the US agreed in principle in 1978 to approve such a purchase "under suitable conditions." US companies competing for this contract with the Chinese were given US Government guidelines in advance. The Chinese are unhappy with the guidelines, which limit the configuration the US would be prepared to license expeditiously, and they recently signed a contract that exceeds the guidelines in some respects. We will review the case carefully when we receive the license request, but do not want to commit ourselves on whether the enhancements will be approved.

We have told the Chinese to come to us on export licensing cases when they have questions. If Fang raises specific cases, we are prepared to look into them and report back to him.

-- We have responded to your recent inquiries about specific problem cases. It generally takes time for our government agencies to develop responses, but we will continue to keep you informed. I encourage you to continue using your channel with Dr. Keyworth to comment on this and other subjects.

-- We know how important acquisition of a Landsat ground station is to you. We are prepared to follow through on our commitment to make a ground station available. We also stand by Vice President Bush's commitment to Premier Zhao last May that we would provide high-speed recorders and a split station configuration. The guidelines we provided to US firms respected those commitments. We hope to review and approve the basic Landsat station as soon as a license is submitted. We have all along indicated that certain modifications would be required for our national security reasons, and so I cannot promise you that we can provide everything you may request; but I can promise that we remain willing to provide a system that is fully workable, both economically and technically.

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